

**PUBLIC DISCLOSURE**

OCTOBER 2, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CITIZENS-UNION SAVINGS BANK

4 SOUTH MAIN STREET  
FALL RIVER, MA 02721

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CITIZENS-UNION SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **October 2, 2001**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"**

The institution's rating of "High Satisfactory" is based upon its good record of ascertaining and helping to meet the credit needs within the entire assessment area in a manner consistent with the bank's resources and capabilities. Citizens-Union Savings Bank's (CUSB) CRA performance reflects its commitment to meeting the credit needs of its assessment area. The bank's performance for calendar years 1999, 2000 and Year-to-date 2001 was evaluated based on three tests that determine the bank's overall CRA performance rating. These include the Lending Test, the Investment Test, and the Service Test.

The bank's performance under the lending test was rated "High Satisfactory". The bank has demonstrated a very good responsiveness to the credit needs of its assessment area. The bank's record of lending within its assessment area is good. The majority of its residential loans and small business loans for the period reviewed were originated within the assessment area. The bank has penetrated all census tracts within the assessment in originating credit. The bank's lending within the various geographies and among borrowers of different income levels and businesses of different sizes is good and meets or exceeds the aggregate in many categories. The bank has granted an acceptable level of community development loans. Finally, the bank's performance relative to Fair Lending was considered reasonable.

The bank's investment performance was considered "High Satisfactory". Qualified investments are achieved primarily through investments in a Business Development Company, MFHA bonds, a Small Business Investment Company, and the provision of charitable donations and grants. The bank has demonstrated a very good responsiveness to credit and community economic development needs.

The bank's systems for delivering retail banking and community development services are also considered "High Satisfactory". The bank's employees, including officers, and trustees continue to provide a high level of service activities. These activities focus primarily on community development purposes related to the provision of financial services.

### **LENDING, INVESTMENT, AND SERVICE TEST TABLE**

<b>PERFORMANCE TESTS</b> <b>Citizens-Union Savings Bank</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>	<b>X</b>	<b>X</b>
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## DESCRIPTION OF INSTITUTION

Citizens-Union Savings Bank is a state-chartered financial institution headquartered in Fall River, Massachusetts. The bank is a wholly owned subsidiary of Narragansett Financial Corporation, a one-bank holding company. There are six other non-bank affiliates of the holding company. The bank has seven full service branch offices. The City of Fall River contains three branch offices, all of which are located in low-and moderate-income census tracts.

As of June 30, 2001, the bank had total assets of \$425, 964,000. Total loans, as of this date, were \$233,801,000. The total loan to asset ratio was 54.9 percent. CUSB is primarily a mortgage lender with loans secured by residential properties accounting for \$177,209,000 or 75.8 percent of the total loan portfolio. Loans secured by nonfarm nonresidential properties account for \$22,982,000 or 9.8 percent of the loan portfolio. The remaining portfolio is comprised of loans on multi-family (5 or more units) residential properties, construction and land development loans, consumer loans, and commercial and industrial loans, each accounting for less than 4 percent of the total loan portfolio. Refer to the following table for additional information.

<b>Loan Distribution as of June 30, 2001</b>		
Loan Type	Dollar Amount (000s)	Percent (%)
Construction and Land Development	\$8,620	3.7
Secured by 1-4 family residential properties	\$177,209	75.8
Secured by multi-family (5 or more) residential properties	\$8,877	3.8
Secured by nonfarm nonresidential properties	\$22,982	9.8
Commercial and industrial loans	\$7,390	3.2
Consumer loans	\$7,809	3.3
Other	\$914	0.4
<b>Total</b>	<b>\$233,801</b>	<b>100.0</b>

Source: June 30, 2001 Report of Condition and Income

An analysis of CUSB's loan-to-asset ratios was conducted. The bank's FFIEC Call Reports and UBPR data were utilized to determine the average loan-to-asset ratio for the last eight quarterly time periods. The data indicated that the loan-to-asset ratio for this period averaged 50.3 percent. The average loan-to-deposit ratio for the same period was 61.3 percent. The table below compares current ratios with similarly situated institutions operating within the defined assessment area.

Loan to asset/deposit ratios as of 6/30/01				
Institution	Asset Size (000s)	Net Loans	Loans To Assets	Net Loans to Deposits
Compass Bank For Savings	\$2,748,928	\$2,228,891	81.1%	87.9%
Fall River Five Cents Savings	\$385,418	\$235,528	61.1%	67.7%
First Federal Savings	\$1,739,388	\$981,504	56.4%	131.6%
<b>Citizens-Union Savings Bank</b>	<b>\$425,964</b>	<b>\$231,707</b>	<b>54.4%</b>	<b>66.9%</b>

Source: UBPR data

CUSB's assets increased 12.4 percent between June 30, 1999 and June 30, 2001. An increase in deposits of 9.3 percent and an increase of 50.6 percent in additional borrowings funded this asset growth. The Federal Home Loan Bank was the source of these funds. The money was used to finance special lending programs. Subsequently, the bank's loan portfolio grew by 34.1 percent during this period with an emphasis on real estate lending. As indicated in the table above, the bank has reinvested a majority of its deposits into loans. The ratio of 66.9 percent as of June 30, 2001 indicates that the bank's net loan-to-deposit ratio has remained relatively constant for the past two years.

CUSB offers real estate, consumer and commercial credit products. These products include, but are not limited to, the following: residential mortgages with terms of up to 30 years; equity lines of credit; equity loans; reverse mortgages; construction loans; and land loans. In addition, various Massachusetts Housing Finance Agency (MHFA) loans are available, with reduced rates and flexible underwriting standards. MHFA loans are offered for the purpose of purchasing homes, lead paint removal, and septic repair. The bank also offers a variety of consumer and business loans, including loans offered in co-operation with the Small Business Administration (SBA). The bank also originates and sells loans on the secondary mortgage market. Participation in the secondary mortgage market allows the bank to offer a variety of fixed-rate and adjustable-rate mortgage loan products.

The bank maintains a CRA Committee. This committee is comprised of the CRA Officer, branch administrator, Human Resources Vice president, a commercial loan officer, two mortgage loan originators, and two branch managers. This seven-member group meets monthly. The responsibilities of the committee include reviewing and overseeing the bank's efforts in complying with the letter and the spirit of the Community Reinvestment Act. The committee reviews the geographic distribution of the bank's loans and deposits and monitors market share data. Also, denied and withdrawn credit applications are tracked and compared to other competitors.

The Federal Deposit Insurance Corporation (FDIC) examined CUSB for compliance with the Community Reinvestment Act (CRA) on June 8, 1999. The bank received a rating of "Satisfactory" at that time. In a CRA examination conducted by the Commonwealth of Massachusetts on April 30, 1998, the bank received a rating of "High Satisfactory". Both examinations utilized the Large Bank CRA procedures.

There are no apparent financial or legal impediments that would limit the bank's ability to help meet credit needs within the assessment area. Based upon CUSB's resources, size, product offerings, and branch network, the bank's ability to meet community credit needs remains strong.

## **DESCRIPTION OF ASSESSMENT AREA**

The Board of Directors of Citizens-Union Savings Bank has defined an assessment area in accordance with the requirements of the Community Reinvestment Act. The CRA requires financial institutions to identify an assessment area in which it intends to focus its lending efforts and in which regulators will evaluate the financial institution's CRA performance. The bank has defined its assessment area as the municipalities of Dighton, Fall River, Rehoboth, Seekonk, Somerset, Swansea, and Westport in Massachusetts and the municipalities of Little Compton and Tiverton in Rhode Island. All of the municipalities are located within the Providence-Fall River-Warwick Metropolitan Statistical Area (MSA) with the exception of Dighton, which is part of the Boston MSA.

### **Demographic and Economic Data**

The bank's assessment area is comprised of 39 census tracts. It is noted that one census tract, which is located in Somerset, is designated as NA and is an anomaly containing no demographic information. Therefore, this census tract was not considered in the analysis of the bank's performance.

The 1990 median family income for the Providence-Fall River-Warwick MSA and Boston MSA was \$38,773 and \$48,688, respectively. The median family income for the assessment area in 1990 was \$36,901. Based on these figures, the bank's assessment area is less affluent in comparison to both MSAs. 1990 MSA income figures were used to determine the income level category for each census tract in the MSA. The income levels for individuals are determined using estimates provided by the Department of Housing and Urban Development (HUD). The HUD estimates of individual income levels are adjusted annually. The HUD adjusted median family income figures for the Providence-Fall River-Warwick MSA for 1999, 2000, and 2001 were \$48,100, \$49,800 and \$52,800, respectively. The HUD adjusted median income figures for the Boston MSA for 1999, 2000, and 2001, were \$62,700, \$65,500, and \$70,000, respectively.

The 1990 U.S. Census indicates that there are 75,449 housing units in the bank's assessment area. The assessment area's housing stock is comprised of 48.9 percent single-family units, 32.4 percent two to four-family units, 17.6 percent multi-family units, and 1.1 percent mobile home or other housing units. Of the total occupied housing stock, 52.7 percent is owner-occupied and 42.9 percent are rental units. Refer to the following table for additional information.

<b>Selected Housing Characteristics by Income Category of the Geography</b>							
<b>Geographic Income Category</b>	<b>Percentage</b>						<b>Median Home Value</b>
	<b>Census Tracts</b>	<b>Households</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	
Low	1	.5	0.4	0.0	1.0	0.4	0
Moderate	16	38.8	39.2	17.8	66.9	43.3	\$118,210
Middle	16	49.0	49.2	64.0	29.0	51.5	\$143,466
Upper	5	11.7	11.2	18.2	3.1	4.8	\$159,301
NA	1	0	0.0	0.0	0.0	0.0	0
<b>Total or Median</b>	<b>39</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>\$134,691</b>

Source: U.S. Census

The largest portion of the assessment area's population and housing units is within the City of Fall River. Housing stock in most of the assessment area communities consists of single-family dwellings, except the City of Fall River. It is noted that Fall River has the lowest owner-occupancy rate within the assessment area. This is reflected in the relatively large number of multi-family rental units within the city. Fall River contains almost 95 percent of the multi-family housing units within the assessment area. Moderate commercial and industrial development exist in most of the communities, yet Fall River is much more diverse in development than other parts of the assessment area. Fall River has significant commercial and industrial development and housing diversity.

The assessment area's real estate prices have been increasing in recent years. However, the overall cost of homes in Fall River is less than the rest of the assessment area. In 1999, the median real estate price<sup>1</sup> for residential properties in the assessment area ranged from a low of \$114,000 in Fall River, Massachusetts to a high of \$159,000 in Little Compton, Rhode Island. In 2000, the median prices ranged from a low of \$125,000 in Fall River to a high of \$165,500 in Little Compton. For second quarter 2001, Fall River continues to have the lowest median price at \$131,000 while Little Compton has the highest median price at \$208,750.

<sup>1</sup> These prices were reported by Banker and Tradesman and were compiled by the FDIC Division of Insurance. The prices exclude condominiums and home sales over \$1,000,000.

In an effort to gain more information about the assessment area and to identify the credit needs in the area, two community representatives were contacted during this evaluation. Both contacts stated that there was a need for financing the purchase and renovation of multi-family properties. The contacts also stated that affordable loan programs with lower downpayment requirements and closing costs were needed. This is due to the difficulty that potential homebuyers are experiencing in coming up with the required monies due to the rapid rise in home values. According to the contacts, all of the local banks are involved in addressing the credit needs of the local area.

According to the 2000 Business Geodemographic Data compiled by CRA Wiz, there are more than 6,000 business establishments that operate within the assessment area. These businesses are heavily concentrated in the retail trade and service industries. The majority of these businesses have gross annual revenues under \$1 million. The rate of unemployment in the assessment area decreased from 4.5 percent in 1998 to 4.0 percent in 2000. These rates are comparable to those of the Providence-Fall River-Warwick MSA.

The market in which the bank operates is highly competitive. Based on the 1999 Home Mortgage Disclosure Act (HMDA) aggregate data, there were 303 HMDA reporters that originated or purchased at least one home mortgage loan in the bank's assessment area. Competitors include local credit unions and banks such as Fall River Municipal Credit Union, St. Anne's Credit Union of Fall River, Bank of Fall River, Fall River Five Cents Savings Bank, and First Federal Savings Bank of America. All institutions have a strong "hometown" presence. In addition, the bank experiences competition from large national and regional mortgage companies and large banks such as Fleet Bank and Compass Bank for Savings.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's CRA performance is based upon three tests, the Lending Test, the Investment Test, and the Service Test. Citizens-Union Savings Bank's performance under each performance is detailed in the following pages.

### LENDING TEST

The institution's Lending Test performance was rated an overall "High Satisfactory." The institution's lending efforts are rated under seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

#### Scope of Evaluation

Of the three tests, the Lending Test is given the greatest consideration. The evaluation included an analysis of Home Mortgage Disclosure Act (HMDA) reportable loans and small business loans reported during the period January 1, 1999 through year-to-date August 30, 2001. In addition, residential loan data among competing institutions was analyzed for 1999, the latest date available for comparison of aggregate residential loan information.

#### I. Lending Activity

For the period January 1, 1999 through August 30, 2001, the bank originated 1,125 HMDA-reportable loans totaling \$147,298,000. As the following table indicates, the majority of home mortgage loans were originated within the assessment area. Of the total HMDA loans originated during this period, 664 loans, or 59.0 percent by number totaling \$76,135,000 or 51.7 percent by dollar volume, were granted within the bank's assessment area.

<b><i>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</i></b>								
<b><i>Year</i></b>	<b><i>Inside</i></b>				<b><i>Outside</i></b>			
	<b><i>Number of Loans</i></b>		<b><i>Dollar in Loans (000s)</i></b>		<b><i>Number of Loans</i></b>		<b><i>Dollars in Loans (000s)</i></b>	
	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$</i></b>	<b><i>%</i></b>
<b><i>1999</i></b>	237	69.7	25,754	66.4	103	30.3	13,053	33.6
<b><i>2000</i></b>	241	51.8	28,966	44.7	224	48.2	35,878	55.3
<b><i>2001</i></b>	186	58.1	21,415	49.1	134	41.9	22,232	50.9
<b><i>Total</i></b>	664	59.0	76,135	51.7	461	41.0	71,163	48.3

Source: HMDA LAR, Cra Wiz

As noted in the description of the assessment area, the bank is operating within a highly competitive lending environment. Market share data for 1999 was reviewed with respect to this performance criterion. The market share data is based upon loan

information submitted to the Federal Reserve in 1999 by all HMDA-reportable lending institutions that originated residential real estate loans within the assessment area. Market share data for the 303 lenders that made loans within the assessment area indicated that CUSB ranked seventh in originated and purchased loans, representing 3.66 percent in market share. The local banks that ranked higher than CUSB included First Federal Savings, which ranked first in originated and purchased loans with an 8.04 market share followed by Fall River Five Cents Savings Bank, which ranked fourth with a 4.74 market share. The other institutions that ranked higher than CUSB in market share included larger regional banks and a mortgage company. The bank lost some market share since the last CRA report of examination conducted by the FDIC. At that time (based on 1997 data) the bank ranked fourth with a market share of 5 percent. However, it is noted that only 175 lending institutions were competing for market share at that time.

The demand for residential mortgages within the assessment area remains competitive. Residential loan volume in 2000 increased by more than 36 percent over 1999 totals. Fixed-rate mortgage loans sold between June 30, 1999 and June 30, 2001 totaled 264 for a dollar figure equaling \$25,079,342. Favorable low interest rates, especially in the first and second quarter of 2000, has resulted in a new demand for long term fixed rate mortgage loans. Also, the bank purchased 125 mortgage loans totaling \$32,973,578 during this period.

### ***Small Business Loans***

The bank originated 125 small business loans for a dollar total of \$20,434,000 from January 1, 1999 through August 30, 2001. Of this total, 95 loans or 76.0 percent of the total number totaling \$12,493,000 or 61.1 percent of the dollar amount of loans were originated within the assessment area. The volume of small business lending is much lower than that of HMDA-reportable loans.

<b><i>Distribution of Small Business Loans Inside and Outside of the Assessment Area</i></b>								
<b><i>Year</i></b>	<b><i>Inside</i></b>				<b><i>Outside</i></b>			
	<b><i>Number of Loans</i></b>		<b><i>Dollar in Loans (000s)</i></b>		<b><i>Number of Loans</i></b>		<b><i>Dollars in Loans (000s)</i></b>	
	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$</i></b>	<b><i>%</i></b>
<b><i>1999</i></b>	29	72.5	4,138	55.6	11	27.5	3,304	44.4
<b><i>2000</i></b>	30	73.2	3,259	57.3	11	26.8	3,089	48.7
<b><i>2001</i></b>	36	81.8	5,096	76.7	8	18.2	1,548	23.3
<b><i>Total</i></b>	95	76.0	12,493	61.1	30	24.0	7,941	38.9

Source: CRA Data Collection

## II. Geographic Distribution

The bank has shown a good penetration of HMDA-reportable loans among census tracts of different income levels given the demographic characteristics of the different tracts. For this evaluation period, the bank has made at least one loan in each of the 38 census tracts that comprise the assessment area. The assessment area includes 1 low-income tract, 16 moderate-income tracts, 16 middle-income tracts, and 5 upper-income tracts. The following table illustrates the distribution of the bank's HMDA-reportable loans originated within the assessment area by number. For comparison purposes, the distribution of the assessment area's 39,766 owner-occupied housing units within the 4 census tract income categories along with the 1999 aggregate lending data is also provided. Aggregate data for 2000 was not available at the time of this evaluation.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>										
<b>Census Tract Income Level</b>	<b>% Total Owner-Occupied Housing Units</b>	<b>1999 Aggregate Lending Data (% of #)</b>	<b>1999</b>		<b>2000</b>		<b>2001</b>		<b>Total</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0.0	0.1	2	0.8	0	0.0	0	0.0	2	0.3
Moderate	17.8	16.0	53	22.4	52	21.6	32	17.2	137	20.6
Middle	64.0	61.3	170	71.7	164	68.0	135	72.6	469	70.6
Upper	18.2	22.6	12	5.1	25	10.4	19	10.2	56	8.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>237</b>	<b>100</b>	<b>241</b>	<b>100</b>	<b>186</b>	<b>100</b>	<b>664</b>	<b>100</b>

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The bank's level of lending in the low-income census tract is lowest among the various tract categories. The level of lending is consistent, however, with demographic data concerning this tract, which indicates a very low level of households. Due to the demographic nature of this area strong consideration is not given to lending in the low-income tract. Nonetheless, the bank's 1999 lending in this census tract is higher than that of the aggregate.

CUSB's home mortgage lending is concentrated in middle-income tracts. The higher concentration of lending in middle-income census tracts is consistent with the higher level of owner-occupied housing units in these tracts. The bank's lending in the moderate-income areas is lower than that of the middle-income census tracts as these tracts account for a lower percentage of the owner-occupied housing units in the assessment area. In addition, the moderate-income tracts contain a relatively higher number of two- to four-family and multi-family rental properties and industrial and business development.

Residential loans originated within moderate-income census tracts account for 20.6 percent of the total loans. Owner-occupied units within moderate-income census tracts

account for 17.8 percent of the owner-occupied units within the assessment area. The bank's concentration in the moderate-income census tracts is considered reasonable.

A greater proportion of the bank's mortgage loans was originated in the moderate-income census tracts compared to the overall market. In 1999, the bank originated 22.4 percent of its home mortgage loans by number within the moderate-income tracts. Aggregate HMDA lenders accounted for 16.0 percent of loans originated within the moderate-income tracts during this same time period. In 1999, CUSB ranked fifth out of all HMDA reporters for loans in the moderate-income census tracts. The bank originated 53 of the 1,053 mortgage loans originated in those tracts for a 5.1 percent market share. Lenders ranking higher than the bank consisted primarily of larger banks and mortgage companies.

### Small Business Loans

The penetration of small business loans within census tracts of different income levels is considered good. For this evaluation period, the bank has made at least one loan in each of the census tract categories within the assessment area. The following table indicates the distribution of the bank's small business loans originated within the assessment area by number of loans. For comparison purposes, the table also includes a breakdown by percentage of the 6,483 small businesses within the four census tract income categories and the 1999 aggregate lending data for small business loans.

<i>Distribution of Small Business Loans by Income Category of the Census Tract</i>										
<i>Census Tract Income Level</i>	<i>% Total Number of Small Businesses</i>	<i>1999 Aggregate Lending Data</i>	<i>1999</i>		<i>2000</i>		<i>2001</i>		<i>Total</i>	
		<i>(% of #)</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low	5.4	4.0	1	3.5	1	3.3	1	2.8	3	3.2
Moderate	31.3	28.0	10	34.4	13	43.3	15	41.7	38	40.0
Middle	45.9	49.0	17	58.6	14	46.7	16	44.4	47	49.5
Upper	17.4	19.0	1	3.5	2	6.7	4	11.1	7	7.3
Total	100	100	29	100	30	100	36	100	95	100.

Source: CRA data collection, CRA Aggregate Lending Data

A large portion of the local business and industrial development within the assessment area is concentrated in the moderate and middle-income geographies. Despite the bank's focus as a residential lender, the bank originated 95 small business loans within the assessment area for a dollar total of \$12,493,000. The geographic distribution of the bank's small business loans among census tracts of different income levels is consistent with the distribution of business development throughout the area. The

majority of small business loans were originated in the middle-income census tracts with 49.5 percent followed closely by lending in the moderate-income census tracts at 40.0 percent.

In regards to aggregate lending for 1999, the bank was comparable with small business lending in the low-income tracts. Lending in the moderate-income census tracts exceeded that of aggregate lending.

### III. Borrower Characteristics

Given the product lines offered by the bank and the economic climate of the assessment area, the bank's distribution of loans reflects adequate penetration among borrowers of different income levels. The following table details the bank's distribution of HMDA-reportable loans by borrower income level. For comparison, the distribution of the assessment area's 69,791 households by borrower income level and 1999 aggregate data is also shown.

<i>Distribution of HMDA Loans by Borrower Income</i>										
<i>Median Family Income Level</i>	<i>Percent Total Household</i>	<i>Aggregate Lending Data 1999</i>	<i>1999</i>		<i>2000</i>		<i>2001</i>		<i>Total</i>	
		<i>% of #</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low	28.4	4.6	13	5.5	9	3.7	9	4.8	31	4.7
Moderate	14.8	14.7	33	14.0	37	15.4	36	19.3	106	16.0
Middle	19.7	27.5	70	29.5	64	26.6	55	29.6	189	28.4
Upper	37.1	38.8	107	45.1	116	48.1	81	43.6	304	45.8
NA	0.0	14.4	14	5.9	15	6.2	5	2.7	34	5.1
Total	100	100	237	100	241	100	186	100	664	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

While CUSB's concentration of home mortgage loans is highest among upper-income borrowers and middle-income borrowers, the bank's loan distribution in 1999 is similar to that of all other HMDA reporters that made and/or purchased loans in the assessment area for the same period. The number of loans the bank made to low- and moderate-income borrowers has remained relatively consistent throughout the period reviewed. The bank's penetration among moderate-income borrowers, with an average of 16.0 percent, is reasonable. This figure is comparable to the 14.7 percent of moderate-income households within the assessment area. The bank's average penetration to low-income borrowers of 4.7 percent is lower than the 28.4 percent of

low-income households in the assessment area. However, the penetration is considered reasonable since approximately 11.3 percent of the households in the assessment area are below the poverty level and could not afford the cost associated with homeownership.

The bank's penetration of low-income households is also hampered by the cost of homes in relation to income. A low-income household within the bank's assessment area would have an annual income of less than \$24,050 in 1999 and less than \$24,900 in 2000. The lowest median sales price of a single family home within the assessment area was \$114,000 in 1999 and \$125,000 in 2000. Even with the bank's flexible lending programs, the cost of local real estate is greater than what most low-income households could afford.

To assist lower income individuals achieve home ownership, the bank has offered a number of in-house and government sponsored affordable housing programs. These programs offer expanded debt-to-income ratios and lower down payment requirements.

## Small Business

The analysis of CUSB's small business lending within the assessment area indicated that a substantial majority of its small business lending was to businesses with annual gross revenues of \$1,000,000 or less. Of the small business loans originated between 1999 and year-to-date August 30, 2001, 73.7 percent were to businesses with annual revenues equal to or less than \$1 million. These figures indicate that the bank is addressing the credit needs of small businesses within its assessment area.

<b><i>Distribution of Small Business Loans by Gross Annual Revenues of Business</i></b>								
<b><i>Gross Annual Revenues</i></b> (000s)	<b>1999</b>		<b>2000</b>		<b>2001</b>		<b>Total</b>	
	#	%	#	%	#	%	#	%
<= \$1,000	23	79.3	22	73.3	25	69.4	70	73.7
> \$1,000	6	20.7	8	26.7	11	30.6	25	26.3
<b>Total</b>	<b>29</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>95</b>	<b>100</b>

Source: CRA Data Collection

Taking into account the product lines that are offered by the bank and the economic climate within the assessment area, the bank's distribution of loans among small businesses of different sizes reflects adequate penetration.

The distribution of small business loans by loan size was also analyzed. CUSB originated a substantial majority of its small business loans by number in amounts of less than \$100,000. This reflects the bank's commitment to serving the credit needs of the area's smaller businesses. These efforts have helped to retain existing businesses and attract new businesses to the area. The support of local businesses has also contributed to the economic well being of the assessment area, particularly the City of

Fall River. This type of lending has helped by diversifying the industrial base of the area and by retaining and creating new jobs. Refer to the following table.

<b><i>Distribution of Small Business Loans by Loan Size</i></b>								
<b>Loan Size</b> (000s)	1999		2000		2001		Total	
	#	%	#	%	#	%	#	%
<b>&lt; \$100</b>	19	65.5	22	73.3	24	66.6	65	68.4
<b>\$100 - \$250</b>	4	13.8	6	20.0	6	16.7	16	16.9
<b>&gt; \$250 - \$1,000</b>	6	20.7	2	6.7	6	16.7	14	14.7
<b>Total</b>	<b>29</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>95</b>	<b>100</b>

Source: CRA Data Collection

#### **IV. Community Development Lending**

The bank has achieved a good level of community development lending. The bank originated approximately 22 new loans during this period of review that qualify as community development loans. The total dollar amount equaled approximately \$2,783,000. The loans were for the purchase or rehabilitation of multi-family housing and all are located within moderate-income census tracts. These multi-family loans qualify as community development because they have improved the economic stability of moderate-income geographies or they have assisted in providing affordable housing to low- and moderate-income individuals. Rental units are considered affordable since they were rented at below market rates. Management has determined that financing multi-family properties is needed in the assessment area. For this reason, the bank has targeted its community development lending towards multi-family lending. This allows for an opportunity to purchase or rehabilitate multi-family dwellings that will provide housing for tenants who may not be able to afford the cost of a home in this economy. A large percentage of the housing stock within the assessment area is comprised of multi-family properties, especially in the City of Fall River. In addition, community representatives have identified a need for loans to rehabilitate multi-family properties.

Some of these community development loans are particularly noteworthy as they were originated in cooperation with community development organizations and are described below.

- In 1999, the bank made a loan in the amount of \$99,200 for the purchase of two multi-family properties located in Fall River. The loan was made to a limited partnership that specializes in the development and construction of affordable housing. The partnership is in the business of purchasing properties and warehousing them until a sufficient number of properties can be combined to qualify for tax credits. Once the tax credits are obtained, the properties are rehabbed and rented to low-income tenants.

- In 1999, the bank provided two loans to a partnership for the renovation of four multi-family properties located in Fall River. The loans were made in conjunction with Low-Income Housing Tax Credits and financing from Department of Housing and Community Development and the Fall River Affordable Housing. These units will be made available primarily to low-income tenants whose income is 60 percent or less of the area median income. These two loans totaled \$174,615.
- In 2000, the bank made a loan for \$99,200 to a company that actively participates in the development of affordable housing throughout the Northeast. This company is also involved in projects for office buildings and community service functions such as day care, health clinics, and youth programs. The funds from the loan were used to acquire and rehabilitate three multi-family properties located in Fall River. This company also obtained financing from tax credits and other available financing from the City of Fall River and the Commonwealth of Massachusetts for this project.

## **V. Innovative or Flexible Lending Practices**

The following is a list of the flexible home mortgage lending programs offered by the bank:

### ***Affordable Housing Loan Programs***

The bank offers two in-house affordable housing loan programs. The in-house affordable housing and first-time homebuyer programs both offer expanded debt-to-income ratios of up to 33 percent and 38 percent and require a minimum down payment of only 3 percent. The bank pays half of the closing costs for applicants earning less than or equal to the median household income for the MSA or if the home was in a low- or moderate-income geography. Between January 1, 1999 and August 30, 2001, the bank originated 75 mortgages under these programs, for a dollar amount totaling \$6,219,655.

### ***Community Home Buyers Program***

The bank participates in the Federal National Mortgage Association's (FNMA) Community Homebuyer's Program. The program allows expanded debt-to-income ratios of up to 33 percent and 38 percent and requires a minimum down payment of only 3 percent. This program is offered to families with income levels up to 100 percent of the median family income for the area. Loans originated under this program are sold to FNMA. Between January 1, 1999 and August 30, 2001, the bank originated seven of these loans for a total of \$609,000.

## ***MHFA Loan Program***

The bank participates in the following MHFA loan programs. Loans originated under these three programs are sold to MHFA.

- First Time Homebuyer (FTHB): This program is offered to individuals and families comprised of up to two people with an income level of less than \$68,800 and to families of three or more people that earn up to \$78,200. The program allows expanded ratios of up to 33 percent and 38 percent and terms up to 30 years.
- Lead Paint Abatement: This program offers mortgage loans for the purpose of residential lead paint removal. This program is offered at zero percent interest with expanded ratios up to 50 percent. Some income restrictions apply. Payments for mortgages taken out under this program are deferred but due upon the sale of the property.
- Septic Repair: This program offers loans for the purpose of repairing home septic systems at reduced interest rates between zero and 5 percent. Rates are determined based upon the borrower's income level. The program also offers overall debt ratios up to 50 percent.

Since January 1, 1999, the bank originated 23 loans totaling \$2,535,087 under the first-time homebuyer program. In addition, the bank originated 21 septic repair and lead paint abatement loans for a total of \$265,187.

The flexible loan programs offered by the bank are responsive to local credit needs. Many of these programs are similar to credit products offered by other lenders. However, the bank's in-house affordable housing program includes features not generally offered by other lenders. This product is particularly effective in meeting local credit needs. One local community representative had identified high closing costs as a deterrent in home purchases and stated there was a need for more affordable loan programs. The bank's low closing cost for affordable housing programs appear to help in fulfilling local credit needs as demonstrated by the volume of loans originated under this program since 1999.

## **VI. Fair Lending Policies and Practices**

The bank's fair lending policies and procedures are comprehensive in nature and address specific areas such as loan review, staff training, fair lending procedures, the loan application and evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, the Equal Credit Opportunity Act, and the Consumer Protection Act.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical

requirements, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

The bank's staff volunteers their time to a variety of area organizations in need of their training and expertise. Citizens-Union Savings Bank markets its services and products to the community through a variety of media including print, radio, and through the internet. Seminars are also conducted in order to make potential customers aware of the services the bank provides. In addition, there are several employees of the bank who speak a second language, which aids individuals who may not speak English.

A formal Second Review Program has been established and implemented. The program requires all mortgage equity loan, commercial loan, and consumer loan applications that are slated for denial to be reviewed by a Senior Officer who is not involved in the transaction. The purpose of the review is not to conclude if a denial is justified, but to determine if there is some way credit can be made. Management has contracted with BankMaps to conduct an analysis of its HMDA and lending performance. The most recent analysis conducted utilized 2000 HMDA data.

## **VII. Loss of Affordable Housing**

The bank's lending programs that include community development and flexible underwriting has assisted low and moderate-income individuals to remain in their neighborhoods.

## **INVESTMENT TEST**

The bank's Investment Test performance is rated "High Satisfactory". The CRA regulation defines a qualified investment as a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. Community development includes affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low- and moderate-income geographies. In recognition of the many legal limitations on bank investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination. The following describes the institution's qualified investments.

The bank has made a total of \$1,962,003 in qualified investments. This total includes \$800,000 to a Business Development Company, and \$575,000 in MHFA Housing Bonds, both of which may be considered innovative and complex. The bank made the final installment investment in a Small Business Investment Company (SBIC) which totaled \$500,000. In addition, the bank made \$87,003 in charitable contributions to organizations

that promote economic development within low- and moderate-income communities or provide services to low- and moderate-income communities or individuals.

## **Qualified Investments**

### ***Access Capital Strategies Community Investment Fund***

Access Capital Strategies Community Investment Fund (ACS) was established in Massachusetts in 1998 as a closed end investment company. Structured as a Business Development Company, ACS provides a secondary market for securities backed by affordable housing mortgages, affordable rental housing, commercial real estate and small business loans. Fund investments may include targeted Fannie Mae and Freddie Mac mortgage-backed securities as well as structured loan portfolios credit-enhanced by Fannie Mae, Freddie Mac, individual banks using the Federal Home Loan Bank Community Investment Program letter of credit, or other U.S. Government Agency guarantees or AAA-rated credit enhancements. The invested funds are channeled to securities backed by loans in a geographic area that includes the bank's assessment area.

In May 2000, the bank committed \$500,000 to the fund. On June 14, 2000, CUSB completed its purchase of the 5.16 units of ACS. On June 30, 2001, the bank's investment committee approved an additional investment of \$300,000. As of September 30, 2001, the book value of the total investment was \$800,000.

### ***Massachusetts Housing Finance Agency***

In October 1999, CUSB purchased \$575,000 in MHFA Housing Bonds. Investment in these bond issues allow the agency to offer specialized mortgage products that are designed to benefit low- and moderate-income borrowers with incomes less than 60 percent of area median income. The bank's investment in this statewide agency qualifies as community investment since it covers a geographic area that includes the bank's assessment area. As of September 30, 2001, the book value of this bond issue was \$574,005.

### ***Zero Stage Capital VI***

Since its founding in 1981, Zero Stage Capital has formed six venture capital funds to help start-up, early stage, and ongoing, high technology companies achieve rapid growth. On June 9, 1998, prior to a formal approval by the Small Business Administration in December 1998, Zero Stage Capital Associates VI was organized to operate under the Small Business Investment Company Act of 1958. Based in Cambridge, Massachusetts this partnership concentrates its investments during the earliest stages of development in companies located primarily within the Northeast, which includes the bank's assessment area. In addition to providing necessary capital, Zero Stage may offer these young companies management assistance such as financial planning and budgeting.

Citizens-Union Savings Bank committed \$500,000 to this fund. An initial installment of \$125,000 was made in 1998. Subsequent installments of \$125,000 were made in June 1999 and January 2000. The final installment was made in April 2000. As of September 30, 2001, the book value of this investment was \$500,000.

### ***Seed Ventures, LP***

On July 5, 2001, the bank committed to \$250,000 as a limited partnership investment in SEED Ventures LP. Southeastern Economic Development Corporation (SEED) is in the process of seeking SBIC status and will manage the venture capital financing to new and young southeastern Massachusetts businesses. Target areas include inner cities, residential suburbs and rural towns in the areas that are designated as Economic Target Areas by the Commonwealth of Massachusetts.

### **Charitable Contributions**

Between January 1, 1999, and September 30, 2001, the bank made \$170,522 in charitable contributions. Of this total, \$87,003 was made to organizations that promote economic development within low- and moderate-income communities or provide services to low- and moderate-income communities or individuals within the assessment area.

The following information summarizes major examples of CUSB's grants that qualify as community development.

### ***United Way of Greater Fall River***

The bank is a major supporter of this agency, which supports numerous member and affiliate agencies that provide health and human services to people in need.

### ***C.V. Carroll School***

This local elementary school is the recipient of annual donations from the bank. Additionally in May 2001 the bank provided computer equipment financial support for various school programs. This Title I designated school serves a predominately low- and moderate-income population in the City of Fall River.

### ***Fall River Office of Economic Development***

The bank provided a leadership grant to fund a review of Fall River's affordable housing stock.

### ***Homeowner Options for Massachusetts Elders***

The bank makes an annual grant to this organization for ongoing support. This non-profit organization's financial counseling and coordinating services for reverse mortgages,

which are offered to Massachusetts's senior citizens, enables older homeowners on low fixed incomes to stay in their homes.

### ***People Incorporated***

The bank makes annual grants to this non-profit agency. This agency provides housing and vocational training for state assisted and mentally handicapped individuals in Fall River.

As of June 30, 2001, the bank's investment portfolio totaled \$168.9MM. The total shares in Zero Stage Capital VI, Access Strategies Community Investment Fund, and MHFA Housing Bonds represent 1.1 percent of the total investment portfolio. Between January 1, 1999, and June 30, 2001, the bank reported net income of approximately \$5,570,000.

In spite of the limited opportunities within the local area the bank's noticeable increase in activity since the previous state CRA report of examination, demonstrates a commitment to the local area's well being through contributions and grants to local charitable and social service organizations. The bank's performance indicates that a good level of qualified grants and charitable contributions have been made during the period of review.

## **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low, moderate, middle, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

The bank's systems for delivering retail banking services are readily accessible to geographies and individuals of different income levels within its assessment area. Retail

banking services and products appear to offer consumers the flexibility and convenience expected from an institution of this size. In addition, officers and employees of Citizens-Union Savings Bank have demonstrated a relatively high level of involvement in community organizations located throughout its assessment area and have provided a high level of service activity in response to community needs. The following details the institution's services.

## **RETAIL BANKING SERVICES**

### **Distribution of Branches**

Citizens-Union Savings Bank operates a total of seven full service offices located throughout its assessment area as well as a loan production office in Bristol, Rhode Island. Two of the full service offices are located in low-income census tracts, one is located in a moderate-income census tract, three are located in middle-income census tracts and one is located in an upper-income census tract. The low- and moderate-income census tracts are located in Fall River.

Applications for residential mortgage loans are available at all branch offices; however, branch personnel refer all applicants applying for a home purchase loan or refinance loan to the bank's loan originators who will meet at a location convenient to the applicants, or at the loan production office.

The distribution of the bank's offices provides easy access to deposit and loan related services for geographies of all income levels, including low- and moderate-income geographies.

### **Record of Opening and Closing Branches**

A Branch Closing Policy is maintained by the bank and reviewed and approved by the Board on an annual basis. This policy outlines procedures to be followed should the decision be made to close an office. No offices have closed since the previous examination.

### **Alternative Retail Banking Services**

Currently, there are 27 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second languages include Portuguese and Spanish. As a result, the bank is able to provide better service to customers of different ethnic backgrounds. A Sign Language interpreter is also available at the main office.

Services and hours of operation compare favorably to those of competing institutions and afford accessibility to all segments of the bank's assessment area. All of the full service offices provide extended hours during the week and are equipped with 24 hour Automated Teller Machines (ATMs) that are linked to the NYCE, Plus, Cirrus and

Exchange networks. In 2000, the bank added a remote ATM that is located in the vestibule of the Truesdale Clinic in Fall River.

Citizens-Union Savings Bank is also a member of the SUM network, which is a surcharge-free alliance of several financial institutions that include over 1,000 ATMs throughout Massachusetts. The bank's customers can avoid ATM surcharges by conducting business at alliance members' ATMs that bear the SUM logo.

Citizens-Union Savings Bank began offering debit cards to its customers in February 2001. The debit card performs all of the same functions as an ATM card with the added convenience of a VISA card. There is no fee charged to customers who use the debit card. All but one of the bank's office locations offers the convenience of drive-up window service. The only office that does not offer drive-up service is the main office, which is located in downtown Fall River.

In March 2000, the bank implemented a 24-hour automated customer access telephone response system, which was established to make banking more accessible for customers who cannot conduct their transactions at a branch office during regular banking hours. By utilizing the telephone banking system, customers can access their accounts, obtain balance inquiries, transfer funds from statement savings accounts to any type of account, make loan payments, obtain current product and rate information and review their latest deposit and withdrawal activity. This service is available to all customers free of charge.

In addition to the above delivery systems, the bank offers bank by mail, which enables bank customers to complete banking transactions through the mail. The bank's web site, ([www.citizensunionbank.com](http://www.citizensunionbank.com)) provides general information about the bank, its hours of operation, office locations, deposit services and credit products. The site also provides bill payment service that allows customers to direct payments from designated accounts to third parties. Citizens-Union Savings Bank's delivery systems are accessible to essentially all segments of the assessment area, and do not vary in a way that inconveniences its assessment area particularly low- and moderate-income geographies and low- and moderate-income individuals.

### **Other Retail Services**

The bank offers a full range of deposit services designed to fit the needs of individuals, including low- and moderate-income individuals. As a participant in the Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, Citizens-Union Savings Bank offers low cost savings and checking accounts to all segments of its assessment area, including those with modest incomes. Per MCBC guidelines, the bank offers a Basic Checking account, which features a flat \$3.00 monthly fee with 10 checks, and no minimum balance. Citizens-Union Savings Bank also offers a Personal Checking account, which features a flat \$4.00 monthly fee with 20 checks per month and no minimum balance. Customers with direct deposit are offered a 50 percent discount on fees for these accounts. Citizens-Union Savings Bank also offers low cost

savings accounts. Its Passbook Savings account and Statement Savings account both feature no monthly fee and a minimum balance of \$10 to earn interest. The bank's Cub Club account is offered to students and can be opened with as little as \$1. The account features no monthly fees and a minimum requirement of \$3 to earn interest.

Citizens-Union Savings Bank also participates in the Commonwealth of Massachusetts Treasurer's educational program "Savings Makes Cents" with nine elementary schools located throughout its assessment area. Six schools are located in Fall River, and the remaining three schools are located in Somerset, Swansea, and Seekonk. Although each student is encouraged to maintain an account with the bank, the bank focuses on the educational aspect of this program rather than the monetary aspect. Management's goal is to educate the students on the basics of money management. Biweekly, a bank representative visits the school and holds educational presentations and collects deposits from approximately 1,200 children.

The bank has paid interest to Massachusetts Interest on Lawyers' Trust Accounts (IOLTA), in the amounts of \$3,535.14 in 1999, \$3,231.37 in 2000, and \$2,671.29 in year-to-date September 30, 2001. Attorneys and law firms maintain these accounts for the short term holding of clients' funds. Interest earned on these accounts is remitted to the IOLTA committee, which distributes funds to local charities to provide low or no cost legal services to low-income individuals.

Citizens-Union Savings Bank provides investment and insurance services through its two subsidiaries, Narragansett Financial Services, LLC and Narragansett Financial Insurance Agency, LLC, respectively.

A wide variety of lending products are offered by Citizens-Union Savings Bank. Residential mortgage loan products are offered at fixed and adjustable interest rates and include construction, construction-permanent, and investment property mortgages. A pre-approval service is available for customers who want to determine the mortgage loan amount that they can afford. The bank also offers a variety of consumer loans including personal loans, automobile loans, passbook secured loans, overdraft protection, student loans, home equity lines of credit, home improvement loans, and home equity loans. Commercial loans are also available and include SBA loan products, commercial real estate loans, commercial lines of credit, and term loans.

Additionally, the bank provides check-cashing services to individuals associated with two local nonprofit organizations: Peoples Incorporated and Steppingstone, Inc. People's Inc. provides housing and vocational training to state assisted, mentally handicapped individuals, including providing employment in the organization's workshop. Steppingstone, Inc. is a substance abuse residential treatment center in Fall River. The bank cashes paychecks, at no cost, for individuals from both organizations when the check is not drawn on Citizens-Union Savings Bank.

## **COMMUNITY DEVELOPMENT SERVICES**

The CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Citizens-Union Savings Bank is considered highly pro-active within the community. At all levels of the bank, employees are involved in organizations that support the economic development, housing needs, and overall well-being of the communities located within Citizens-Union Savings Bank's assessment area. Following are examples of organizations that have been assisted by officers, Directors and employees of Citizens-Union Savings Bank:

A senior vice president serves as the co-chairperson of the Community Advisory Group on Public Housing, the director of the Fall River Redevelopment Authority, the co-chairperson of the executive committee of the Fall River Partnership, and the vice president of the United Way. The Community Advisory Group on Public Housing is a committee that was appointed by the Mayor of Fall River to review the City's public housing and make recommendations for the future. The Fall River Redevelopment Authority is a city agency charged with management of the city's urban renewal projects. Among other projects, this organization was instrumental in the development of the Executive Office Park in Fall River. The Fall River Partnership is an apolitical body that acts as a resource to the Mayor and City officials recommending courses of action relative to issues in education, transportation, business, and environment, etc.

The bank's CRA Officer is Vice Chairperson of the Fall River Community Housing Resource Board. This HUD-financed organization provides educational services to deal with affordable housing issues and promote fair housing in the Fall River area. Responsibilities as vice chairperson of this organization, include controlling the funds and assisting in the development of the "Property Management Manual," a tool used to educate landlords. The bank's CRA Officer is also a board member and serves on the Finance Committee of Jobs for Fall River, Inc. This 501C4 organization, which is operated by the Fall River Office of Economic Development, is responsible for lending programs designed to assist Fall River business and foster overall economic development in the city. As a member of the Finance Committee, the bank's CRA Officer is partly responsible for loan approval, and providing oversight for all lending programs. This officer is also a director of the United Way and served as the 2000 campaign chairperson.

Several bank officers are involved in fundraising for The Exchange Club of Fall River. One bank officer serves as the president of the club and another serves as the secretary. This community service organization was established for the prevention of child abuse.

A Director is actively involved with fundraising and other events of the Greater Fall River Food Pantry and the Greater Fall River Community Soup Kitchen, Inc.

A vice president of the bank is a member of the board and serves on the finance committee of the Ninth Street Day Nursery. This nonprofit childcare agency provides affordable childcare services for working parents. Tuition is based on family income. Several of the families have low-incomes and would not be able to work without Ninth Street Day Nursery's programs.

A Director of the bank serves as a member of the board and finance committee of People Incorporated, a nonprofit agency providing housing and vocational training for state assisted, mentally handicapped individuals and families in the Fall River area. This director lends his technical expertise when providing oversight of agency finances, accounting, and programs.

The bank's assistant treasurer is the treasurer of the community based organization, Portuguese Youth Cultural Organization (PYCO), and oversees financial reporting, bookkeeping, and prepares grant requests. This organization provides social services to individuals and families in the Fall River area.

A vice president of the bank is a founding member and trustee of Reaching Back Foundation, a charitable corporation that promotes educational opportunities for disadvantaged urban youths. This vice president contributes expertise in financial planning and participates in mentoring programs and fundraising.

A vice president of the bank is a member of the board and serves on the quality control committee of the Residential Care Consortium, Inc. (RCC). An assistant vice president of the bank is the treasurer of this organization, providing oversight of finances, budgeting, and bookkeeping. This nonprofit community organization provides shelter for homeless families and battered women.

A bank vice president is a member of the board and finance committee of Steppingstone, Inc., a nonprofit residential substance abuse treatment facility. As a member of the finance committee this vice president assists in budgeting preparation and financial review of agency programs.

Four of the bank's Senior Vice Presidents and several officers and employees of Citizens-Union Savings Bank are actively involved with the United Way of Greater Fall River. This organization helps fund numerous agencies that assist at-risk populations, address health care and independent living, support youth and character building, and provide mental wellness. Several officers and employees of Citizens-Union Savings Bank volunteer their time and services to the United Way, and serve on several committees. Bank officers and directors have served as Campaign Chairpersons in four out of the previous eight annual United Way fund drives.

The bank provides Loaned Executives for approximately two weeks per year to the United Way. Loaned Executives provide expertise for the United Way campaign by providing support with administrative, marketing, public speaking, organizational and leadership skills.

The bank has expended considerable time and effort competing for funds on behalf of an area organization. Applications to the Federal Home Loan Bank for funds have been made twice for affordable housing projects over the time period covered by this examination; however, neither was successful due to the tremendous competition.

Many other organizations that officers and employees lend their technical expertise include civic, charitable, religious and fraternal organizations located throughout the assessment area. Although all may not qualify as community development, they provide valuable services to the local community.

### **Educational Services and Seminars**

Bank officers and employees have participated in seminars and other events during the period under review (1999 through year-to-date October 2, 2001). These events provide opportunities for bank representatives to inform those in attendance about the products and services that are offered by the bank and to gain information about unmet credit needs in the assessment area.

In February 2001 and November 2000, Citizens-Union Savings Bank participated in home counseling seminars, sponsored by the Fall River Affordable Housing Corporation. These seminars, which are geared toward first time homebuyers, highlighted the various aspects of the home buying process. Two mortgage officers represented the bank and discussed budgeting, credit evaluation, obtaining a mortgage, homeowner's insurance and the closing process. These mortgage officers were also available to pre-qualify any attendee who was interested.

In January 1999, the bank's Senior Vice President and Senior Operations Officer and a mortgage officer represented the bank at a seminar for Fall River area seniors. The seminar, entitled "Successful Aging In Place," was sponsored by Homeowner Options for Massachusetts Elders (H.O.M.E.), the Fall River Council on Aging, the Fall River Affordable Housing Corporation, and three local lenders, including Citizens-Union Savings Bank. The bank's representative spoke to participants about credit reports, credit issues, Fair Credit Reporting Act, and other safeguards and the various services that the bank offers elders as a member provider for H.O.M.E.

Annually, Citizens-Union Savings Bank hosts a reception for local real estate brokers in an effort to ascertain credit needs within the assessment area and to inform local real estate brokers of the bank's credit products. The bank also participates in the South Eastern Massachusetts Business Expo, which is held in Westport.

Citizens-Union Savings Bank also participates in the Massachusetts Bankers Association Foreclosure Prevention Project. This is a cooperative program providing financial counseling to low- and moderate-income homeowners across Massachusetts. Participating members include several local financial institutions, the National Consumer Law Center, and seven Massachusetts nonprofit housing agencies. The members provide support for the development and distribution of consumer education

materials specifically designed to help homeowners avoid or address mortgage default. Lenders also refer financially distressed homeowners to a community based housing counselor to determine if there is a realistic alternative to foreclosure on the property.

## APPENDIX A

### SCOPE OF EXAMINATION

#### **Citizens-Union Savings Bank**

**SCOPE OF EXAMINATION:** The examination included an on-site analysis of all HMDA and CRA reported loans for the period noted below.

Residential aggregate loan data was reviewed during the examination and included comparative loan data among competing institutions. CITIZENS-UNION SAVINGS BANK has one assessment area, which was reviewed using the large bank examination procedures.

**TIME PERIOD REVIEWED:** January 1, 1999 – August 30, 2001

**PRODUCTS REVIEWED:** HMDA-reportable Loans and Small Business Loans

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**CITIZENS-UNION SAVINGS BANK**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 2, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee that does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

